



State of Washington

AFFORDABLE HOUSING ADVISORY BOARD

1011 Plum Street SE - PO Box 42525 - Olympia, Washington 98504-2525 - (360) 725-4000

Faith Pettis
Board Chair

Vacant
Residential Construction Industry

Jim Potter
Residential Construction Industry

Bryan Friend
Mortgage Lending Industry

Vacant
Mortgage Lending Industry

Wanda Coats
Real Estate Sales Profession

Connie Devaney
Apartment Management & Operation Industry

Paul Purcell
For-Profit Housing Development

Kevin Grossman
For-Profit Rental Housing

Tony To
Non-Profit Housing Development

Chris Lowell
Homeless Shelter Operations

Shaw Seaman
Special Needs Populations

Joe Ingram
Low Income Housing

Mike Adolfae
At-Large/General Public

Chris Pegg
Public Housing Authorities

Obie O'Brien
Counties, Eastern WA

Vacant
Counties, Western WA

Vacant
Cities, Eastern WA

Lauren Walker
Cities, Western WA

Vacant
Ex-Officio, Dept. of Social & Health Services

Kim Herman
Ex-Officio, Housing Finance Commission

Dan McConnon
Ex-Officio, Dept. of Commerce

BOARD MEETING SUMMARY

Tuesday, June 11, 2013

10:00am to 1:00pm

Washington State Housing Finance Commission – Seattle, WA

ATTENDANCE

Faith Pettis, Dan McConnon, Kim Herman, Kevin Grossman, Joe Ingram, Shaw Seaman, Obie O'Brien, Tony To, Wanda Coats, Bryan Friend, Chris Lowell, Chris Pegg, Mike Adolfae, Connie Devaney, Paul Purcell and Jim Potter.

STAFF

Janet Masella, Cary Retlin and Cherish Rahikainen.

GUESTS

Leslie Price, Washington State Housing Finance Commission
Steve Walker, Washington State Housing Finance Commission
Heather Ballash, Commerce Growth Management Services

INTRODUCTIONS AND CONFIRMATION OF AGENDA

Faith Pettis

Faith summarized the agenda.

APPROVAL OF MINUTES

Summaries from November 2012 and February 2013 were approved.

REPORT FROM THE CHAIR

Faith thanked Board members for attending. We have seen many accomplishments since the last AHAB meeting. Our support letters in favor of the Housing and Essential Needs Program and the Housing Trust Fund were sent to senior members of the House and Senate as well as Representative Dunshee and Senator Honeyford, Capital Budget Chairs. Faith expressed her gratitude to Joe Ingram and other Board members who helped work on those letters.

Cary Retlin submitted the Board's Annual Report to the Governor's Office. It is available to view on the AHAB [website](#).

AHAB's Policy Subgroup has been established and is holding bi-weekly phone calls to discuss policy issues for the Board to undertake, separate from affordable housing and the Housing Trust Fund issues. This subgroup includes Faith Pettis, Jim Potter, Kevin Grossman, Obie O'Brien, Mike Adolfae, Steve Walker (WSHFC) and Heather Bunn (RAFN). All other members are welcome to join. Faith is particularly interested in representatives from local governments and housing development.

Cherish Rahikainen shared an update on current Board vacancies:

- Residential Construction Representative, formerly held by Michael Richart;
- Home Mortgage Lending, formerly held by Lynette Hoffman;
- Washington Association of Counties (Western), formerly held by Dave Gossett; and
- Association of Washington Cities (Eastern), formerly held by Mike Adolfae. A nomination has been put forward;

Please contact Faith if you have a recommendation for a representative for Western Counties, particularly someone involved with planning and development. It is not required that they are an elected official, but their appointment must be supported by the Association of Washington Counties.

Motion: Moved by Faith Pettis to officially appoint Kevin Grossman as the Vice Chair of the Affordable Housing Advisory Board through December 2014. At the first meeting of the year in odd-numbered years, a Vice Chair shall be elected for a two-year term.

- Ayes: 12
- Nays: 0
- Abstain: 0

COMMERCE / LEGISLATIVE & BUDGET UPDATE

Dan McConnon provided an update on the Department of Commerce. While negotiations are continuing, it is not clear when a 2013-15 Biennial Operating or Capital Budget will be passed. Although we expect lawmakers to reach an agreement prior to June 30, state agencies have developed contingency plans in the event of a state government shutdown.

Not having a budget by June 30 is extremely problematic. Potential issues:

- The Department would no longer have signature authority for any fund sources (federal, state, dedicated, or private funds). New 2013-15 contracts are on hold. Contracts with an end date later than June 30 would be suspended at the end of the month.
- Many contractors affected, especially those who depend on state funds as their sole funding source. Several contractors have issued internal layoff notices in fear they are unable to make payroll.
- Contractors would be spending at their own risk after June 30. Expenses occurred may not be eligible to receive reimbursement from the Housing Trust Fund.
- Commerce is working with the Governor's Office and the Office of Financial Management on staff impacts. Due to labor relation laws, state employees must be notified of a temporary layoff by Monday, June 24. This means a delay in processing contractor invoices.
- Housing Trust Fund and other capital project construction work would come to a halt, as well as many WSHFC projects which have Housing Trust Fund funding.
- The legislature is trying to fill a \$400 million gap. There is a proposal to sweep the Public Works Board trust fund, which would be devastating to local governments. Projects that create jobs would not be funded and current projects and jobs would be stopped. These jobs are vital to our economic recovery.
- Dan feels confident there will be some version of the Housing and Essential Needs program.
- Commerce worked with homeless providers to find a solution to pay July rent to landlords. However, if a budget is not passed by June 30, August rent becomes an issue.

Brian Bonlender, Director of the Department of Commerce plans to attend the Paris Air Show trade mission the week of June 17, resulting in new business for Washington State. Governor Inslee plans to cancel his attendance if there is no budget.

HOUSING TRUST FUND POLICY DISCUSSION AND PRIORITIES

Janet Masella, Steve Walker and Leslie Price presented information to guide the Housing Trust Fund policy discussion.

As we start to think about the 2014 legislative session, it is important we take a look at our current Housing Trust Fund portfolio. Commerce will be finalizing a legislative agenda over the summer and will look to AHAB for guidance on housing and housing-related issues. Decision packages are due in September.

Currently, the portfolio investment is an estimated \$900 million, 1,300 projects and 38,000 units. The current value is four or five times the investment amount.

Commerce and the WSHFC's Tax Credit Program are looking at ways to address the growing demand as the portfolio ages. The recession hit providers hard and many haven't been able to maintain a level of reserve and maintain under pressure for capitalization.

One-third of the portfolio is over 20 years old. It is estimated that about half of these projects will need rehabilitation assistance within the next five years.

It is time to address whether we should focus our resources on new construction and growth or preservation of our current portfolio.

Challenges:

- Demand for new units exceeds resource
- Preference for lowest income & special needs
- Declining rent & operating subsidies
- Federally-subsidized properties at risk
- Aging portfolio

Commerce plans to issue a Request for Qualifications and Quotations (RFQQ) in July to conduct an analysis of the Housing Trust Fund portfolio by the end of the year. This analysis will give us a better understanding of the need for recapitalization.

Applications now require a capital needs assessments for all projects after six months. This forces applicants to think more proactively and plan for long-term rehabilitation and how to meet ongoing maintenance needs.

Commerce is also working to train and provide technical assistance and share best practices with contractors.

GENERAL POLICY SUBCOMMITTEE

Members of the policy subcommittee brought forward four ideas for promoting housing affordability in Washington State. The Board agreed to dig deeper into these issues and potentially adopt them as AHAB's legislative agenda for the 2014 session.

- 1. Local governments should be required or incentivized to perform planned action Environmental Impact Statements (EIS) for projects inside urban growth areas.**

While State Environmental Policy Act (SEPA) reforms advanced during the last two legislative sessions are a move in the right direction (for example, HB 1717, passed during the current legislative session, incentivizes up-front environmental planning and review), we need to expand the use of up-front SEPA review for all planned actions occurring inside urban growth areas. Up-front SEPA review should be done in conjunction with all comprehensive plans and neighborhood plans. Once an EIS is developed for an area, there should be no more SEPA requirements, so long as the project fits the anticipated scope.

A major concern with SEPA is that it increases costs and delays permits, often without any corresponding environmental benefit. Ultimately this hurts housing affordability.

Doing SEPA up-front as part of the planning process would help builders and developers provide more affordable housing inside urban areas by eliminating unnecessary and duplicative processes and costs. The goal is not to reduce environmental standards, but rather to find a more expeditious way of achieving them while helping to promote housing affordability.

2. Require Latecomer Agreements for all infrastructure.

The 2013 Legislature has adopted a bill (HB 1717 sponsored by Rep. Joe Fitzgibbon) mandating latecomer agreements relating to the construction of water and sewer facilities for a 20-year period. These agreements are important because they allow builders and developers to re-coup their costs when they make infrastructure investments in local jurisdictions and other entities later benefit from that infrastructure.

Some, but not all, utility districts already require latecomer agreements for a 20-year period.

Latecomer agreements should apply to all infrastructure investments, including roads and utility districts. This would provide more certainty for the development community and much-needed consistency between jurisdictions.

3. Amend the Growth Management Act to require cities to accommodate growth targets.

The Growth Management Act (GMA) was established to direct growth to urban areas, but many cities resist new growth and make it exceedingly difficult to provide new housing. In many cases, local governments are acting in response to neighborhood activists opposed to growth. This “Not-In-My-Back-Yard” dynamic exists throughout the Puget Sound region and in all counties that plan under the GMA.

Cities have to do their part to up-zone within their borders and reform their development regulations to achieve minimum net urban densities and accommodate new growth. In the absence of finding real incentives for cities to meet their housing and growth targets under GMA, cities should be required to accept their share of the region’s housing needs.

4. Charge impact fees on a per-square-foot basis for multifamily housing development.

Unlike commercial property, impact fees for residential projects are usually charged on a per-unit basis, which, especially in the context of multifamily development, can have the unintended consequence of encouraging larger, more costly units. Some argue that if the method of calculating these fees were changed so that they’re instead charged on a per-square-foot basis, then that would promote smaller, more affordable housing units.

In its publication [Impact Fees and Housing Affordability: A Guide for Practitioners](#), HUD promotes the idea of designing impact fees that better reflect actual proportionate share, creating less of a negative impact on housing affordability. The guidebook states:

...basing all types of impact fees in whole or in part on house or apartment square footage rather than charging uniform rates is straightforward to implement and helps to avoid overcharging smaller units more than their true proportionate share.

We should shift to a system that bases impact fees on square footage for multifamily projects.

The Board members discussed these proposals and there was consensus to move forward on items 1 and 2. The Board members requested more information be presented on items 3 and 4.

SUBCOMMITTEE AND OTHER REPORTS

Policy Advisory Team (PAT)

Due to the uncertainty of the budget, the next Policy Advisory Team meeting has been postponed until June 20. This time will be used to discuss various budget scenarios:

- The Department of Commerce's ask for the Trust Fund is \$150 million.
- The Senate's proposal put forward \$35 million, \$15 million of which went toward Farmworker Housing.
- The House proposal of \$55.5 million, \$27 million toward Farmworker Housing.
- Governor's proposal is at \$65 million.

The housing advocacy community and several housing consortiums around the state are lobbying for the Governor's budget amount and the Senate's process (\$65 million total, of which \$15 million is designated to Farmworker Housing and allocated using a competitive pool).

State Advisory Council on Homelessness (SACH)

On Thursday, June 13 Dan McConnon and Chris Lowell will be co-chairing a joint meeting with the State Advisory Council on Homelessness and the Interagency Council on Homelessness in SeaTac, WA. The agenda consists of updates on the Housing Trust Fund, the report on homeless children as well as the Vulnerable Families Partnership.

Board members are also welcome to join.

Needs Assessment Task Force

The Department of Commerce just submitted a supplemental grant request to the Bill & Melinda Gates Foundation. The current grant focuses on addressing family homelessness through the Vulnerable Families Partnership, a joint effort with DSHS. If approved, the supplemental will bring the grant up to \$800,000 for two years, allowing a portion of that amount to be used toward a housing needs assessment.

The Washington State Affordable Housing Needs Study RFQQ posted earlier this week and is open until July 8, 2013. The evaluation team will meet July 10. Phone interviews are scheduled for July 17, if needed.

We have had several organizations mentioned as potential funders at past meetings. Now that the RFQQ has posted, we need Board members to help take the lead with outreach.

The Department of Commerce and Washington State Housing Finance Commission have agreed to help fund this effort, as well.

Board members and staff volunteered to contact the following organizations:

- Bill & Melinda Gates Foundation – Cary Retlin (in progress)
- Association of Washington Housing Authorities – Chris Pegg
- Washington Community Reinvestment Association – Chris Pegg
- Housing Alliance – Tony To
- Columbia Bank – Chris Lowell
- Key Bank – Paul Purcell
- Champion Foundation – Paul Purcell
- Paul G. Allen Foundation – Joe Ingram
- Washington Realtors – Wanda Coats

We need to secure funding by August. Cary will distribute a one-pager with talking points to help with solicitation.

MEETING ADJOURNED 1:00pm

Future items:

- **Needs Assessment**
- **2014 Legislative Agenda**

Next Meeting: *Thursday, August 8, 2013*
10:00am to 1:00pm
SeaTac Community Center
13735 24th Avenue South
SeaTac, WA 98168